

El Paso Unveils Shipboard LNG Regasification System at OTC

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El Paso Global LNG Co. has unveiled an innovative concept featuring LNG tankers that could also regasify their cargoes and deliver as much as 400 MMcfd into pipelines from miles offshore.

El Paso unveiled its EP Energy Bridge system at a general session on offshore gas development at the Offshore Technology Conference in Houston last week.

As envisioned by El Paso officials speaking at the session, the system eventually could create a global spot market for stranded gas, with a fleet of Energy Bridge tankers moving those supplies to various markets "like a floating pipeline." The offshore station typically would have two offloading buoys to ensure uninterrupted delivery, said Kathleen M. Eisbrenner, chief commercial officer for El Paso Global LNG.

Unlike a pipeline or a land-based LNG terminal, the Energy Bridge system would allow El Paso to target markets as needed. "We could bring LNG into New York in the winter and Florida in the summer," said Eisbrenner.

NIMBY-inspired alternative

The concept was developed by El Paso over the last 18 months as an alternative to three onshore LNG terminals that it previously had proposed to build in the U.S. Although several are still proposed by others, construction of new land-based US LNG terminals "is not likely," said Eisbrenner.

The usual NIMBY (not-in-my-backyard) opposition to such projects has been stiffened by heightened security concerns in the wake of the Sept. 11, 2001, terrorist attacks in New York and Washington, DC, making it even more difficult and expensive to obtain sites and permitting for LNG terminals in key market areas, she said.

The Energy Bridge offshore station, however, would be miles offshore, out of sight, and, it is hoped, out of the minds of potential opponents, Eisbrenner said.

The first delivery system is expected to be operational and in service by 2005, probably in the Gulf of Mexico, although El Paso officials also are looking at a U.S. East Coast site. Eisbrenner would not provide further information on the potential gulf site, although she did acknowledge that El Paso would prefer to deliver into a growing gas market (such as Florida) than into major gas producing states (such as Texas and Louisiana).

With U.S. gas production flat and demand growing, LNG imports "will economically contribute" to filling in an imbalance between conventional gas supplies and demand that is projected to grow to 2.9 bcfd in 2005, 9.4 bcfd in 2010, and 15.3 bcfd in 2015,

Eisbrenner said.

"LNG can compete very favorably," she said. "We see sustained gas prices above \$3.50/Mcf going forward." Although El Paso's Energy Bridge system would be viable at market prices of \$2/Mcf, Eisbrenner said, "The U.S. market is more attractive than the European market and should trade at a premium to Europe for the next 5-12 years."

How it would work

Regasification equipment is to be installed on three of the four LNG tankers already under construction by Daewoo Shipbuilding & Marine Engineering Co. Ltd., South Korea, for Belgian company Exmar Offshore Co. and under long-term charter to El Paso. Exmar will own and operated the Energy Bridge tankers.

The total cost of the initial Energy Bridge system, including the original cost of the three LNG tankers, would be "close to \$700 million," said El Paso officials.

An Energy Bridge tanker would remain on site 6 days as it delivers natural gas at sufficient pressure to be received into new or existing pipelines or at a customer's facility onshore without additional compression. The vessels would be moored to a submerged- turret loading system, designed by Advanced Production & Loading AS of Norway, that has been proven in the harsh waters of the North Sea, officials said.

When not in use, the offloading station would remain submerged at a depth where it would not be a hazard to vessels.

Meanwhile, El Paso officials are looking at other potential delivery sites and talking to producers with stranded gas reserves around the world. El Paso also is continuing its plans to build two LNG terminals in Mexico and another in the Bahamas.

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